

**ALLAMAKEE COUNTY**  
**Waukon, Iowa**

INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
June 30, 2004

**ALLAMAKEE COUNTY**  
**Waukon, Iowa**

**Table Of Contents**

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	<u>Page</u>
<b>OFFICIALS</b> .....	1
<b>INDEPENDENT AUDITORS' REPORT</b> .....	2-3
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b> .....	4-9
<b>BASIC FINANCIAL STATEMENTS</b>	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets .....	A..... 10
Statement of Activities .....	B..... 11
Governmental Fund Financial Statements:	
Balance Sheet .....	C..... 12-13
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets .....	D..... 14
Statement of Revenues, Expenditures and Changes in Fund Balances .....	E..... 15-16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities .....	F..... 17
Proprietary Fund Financial Statements:	
Statement of Net Assets .....	G..... 18
Statement of Revenues, Expenses, and Changes in Fund Net Assets .....	H..... 19
Statement of Cash Flows.....	I ..... 20
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Assets and Liabilities – Agency Funds .....	J ..... 21
Notes to Financial Statements .....	22-32
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds .....	...33
Budget to GAAP Reconciliation .....	...34
Notes to Required Supplementary Information – Budgetary Reporting .....	35

## **TABLE OF CONTENTS**

---

<b>OTHER SUPPLEMENTARY INFORMATION:</b>	<u>Schedule</u>	<u>Page</u>
Non-major Special Revenue Funds:		
Combining Balance Sheet .....	1 .....	36-37
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances.....	2 .....	38-39
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities .....	3 .....	40-41
Combining Schedule of Changes in Fiduciary Assets and Liabilities .....	4 .....	42-43
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds .....	5 .....	44
 <b>INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING .....</b>		 45-46
<b>SCHEDULE OF FINDINGS .....</b>		47-49

# ALLAMAKEE COUNTY, IOWA

## OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Kathy Campbell.....	Board of Supervisors.....	Jan. 2005
William Clark.....	Board of Supervisors.....	Jan. 2007
Lennie Burke.....	Board of Supervisors.....	Jan. 2005
Mary O'Neill.....	Auditor .....	Jan. 2005
Lori Hesse.....	Treasurer .....	Jan. 2007
Deb Winke .....	Recorder .....	Jan. 2007
Tim Heiderscheit .....	Sheriff .....	Jan. 2005
William Shafer .....	Attorney .....	Jan. 2007
Ann Burckart.....	Assessor .....	Appointed

## Independent Auditors' Report

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To the Officials of Allamakee County  
Waukon, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Allamakee County, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Allamakee County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Allamakee County at June 30, 2004, and the respective changes in financial position and cash flows where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 13 to the financial statements, during the year ended June 30, 2004, Allamakee County adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; Statement No. 41, *Budgetary Comparison Schedule-Perspective Differences*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

In accordance with the *Government Auditing Standards*, we have also issued our reports dated March 9, 2005 on our consideration of Allamakee County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4-9 and 33-35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Allamakee County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2003 (none of which are presented herein) and expressed a qualified opinion due to the lack of fixed asset records and material and supplies inventories pertaining to special revenue funds. The audits of the general purpose financial statements for the two years ended June 30, 2002 (none of which are presented herein) were performed by other auditors and expressed qualified opinions on those financial statements for the a lack of fixed asset and inventory records. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

March 9, 2005

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Allamakee County provides this Management Discussion and Analysis of the Allamakee County FY2003-2004 financial statements. The purpose of this portion of the financial report is to discuss an overview of the activities of the year to augment the numbers presented in the balance of the report. It is hoped that this section will assist you in understanding the events that significantly affected the financial position of Allamakee County as a whole.

This is the first year that Allamakee County is required to report all activities on a full accrual basis, as required by the reporting standards of GASB 34. A comprehensive comparison to fiscal year 2002-2003 is not possible. Efforts have been made to provide comparison to prior year data when such data is available. In subsequent years comparison to prior year data will be provided for all key financial information.

### 2004 FINANCIAL HIGHLIGHTS

- Allamakee County governmental funds revenue decreased by \$664,910, or 7%, which is substantially status quo compared to FY2003. Taxes levied on property and other County tax decreased \$7,477, or less than 1%, from FY2003.
- Allamakee County program expenditures decreased \$994,070, or 10%, compared to FY2003. Capital project expenditures were \$335,658 less than in FY2003.
- Allamakee County's net assets increased approximately \$2.2 million from 2003.

### USING THIS REPORT

This report consists of four parts: management's discussion and analysis (this section), the basic financial statements and required and other supplementary information. The financial statements include two kinds of statements that present different views of Allamakee County.

- The first two statements are government-wide financial statements that provide both short-term and long-term information about Allamakee County's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of Allamakee County, reporting Allamakee County's operations in more detail than the government-wide financial statements.
- The governmental funds statements explain how basic services, such as mental health and secondary road maintenance and construction, were financed in the short term as well as what remains for future spending.
- Fiduciary funds statements provide information about financial relationships which Allamakee County acts solely as a trustee or agent to benefit others. Examples of these funds include the E911, Emergency Management Services, and other agency funds for collecting and distributing taxes to schools, cities, and other taxing authorities.

The financial statements also include notes to explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of Allamakee County's budget for FY2004. Other supplementary information provides detailed information about the non-major special revenue funds and agency funds.

## REPORTING THE COUNTY AS A WHOLE

The government-wide financial statements report information about Allamakee County as a whole using accounting methods similar to those used in private-sector companies. The Statement of Net Assets includes all of Allamakee County's assets and liabilities. All the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when the cash was received or paid.

The two government-wide financial statements report Allamakee County's net assets and how they have changed. Net assets - the difference between Allamakee County's assets and liabilities – are one way to measure Allamakee County's financial health or position.

- Over time, increases or decreases in Allamakee County's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess Allamakee County's overall financial health, you need to consider Allamakee County's property tax base and the condition of its buildings and other facilities.

In the government-wide financial statements, Allamakee County's governmental activities are reported:

- Governmental activities: Allamakee County's basic services are included here, including public safety and legal services, physical health and social services, mental health, mental retardation, and developmental disabilities, county environment and education, roads and transportation, governmental services to residents, administration, and non-program activities.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about Allamakee County's funds, focusing on its most significant or "major" funds – not Allamakee County as a whole. Funds are accounting devices Allamakee County uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and bond covenants.
- Allamakee County establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues such as federal grants.

Allamakee County has three types of funds:

- 1) Governmental Funds: Most of Allamakee County's basic services are included in governmental funds, which generally focus on: 1) How cash and other financial assets can readily be converted to cash flow in and out. 2) The balances left over at year-end that are available to provide spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine if there are more or fewer financial resources that can be spent in the near future to finance Allamakee County's programs. Because this information does not encompass the additional long term focus of government-wide financial statements, additional information on Exhibit D and Exhibit F explain the relationship or differences between the two statements. Allamakee County's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.
- 2) Proprietary Funds: Proprietary Funds account for the County's Internal Service Fund, Employee Group Health Insurance Account. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.
- 3) Fiduciary Funds: Allamakee County is the trustee, or fiduciary, for assets that belong to others, such as, Emergency Management Services, County Assessor, E911, and the agency funds necessary to collect and distribute property taxes to schools, cities, and all other taxing authorities. Allamakee County is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. Allamakee County excludes these activities from the government-wide financial statements because the County cannot use these assets to finance its operations. Fiduciary

funds report a liability due to other governments and, therefore, the fiduciary funds do not report a fund balance.

## ALLAMAKEE COUNTY FINANCIAL ANALYSIS AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of financial position. Allamakee County's net assets for FY2004 totaled \$11,890,426. Net assets (restated) on June 30, 2003 were \$9,644,894. Net assets increased 23% as a result of FY2004 Allamakee County operations. \$1,568,458 of the increase is attributed to assets paid for from the state farm to market road fund which are not funds that flow through the County budget.

Net Assets of Allamakee County Governmental Activities (Expressed in Thousands)	
	June 30, 2004
Current and Other Assets	\$9,383
Capital Assets	6,756
Total Assets	16,149
Long-term Debt (Compensated Absences)	134
Other Liabilities	4,124
Total Liabilities	4,258
Net Assets:	
Invested in Capital Assets, Net of Related Debt	6,756
Restricted	2,786
Unrestricted	2,349
Total Net Assets	\$11,891

Net assets increased by \$2.24 million compared to FY2003. The beginning balance on the Statement of Activities was restated due to the implementation of GASB 34 to include capital assets and the changes in assets and liabilities resulting from the conversion to the accrual basis of accounting. The largest portion of Allamakee County's net assets is invested in capital assets (e.g., land, infrastructure, buildings, and equipment) less related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets since they are unavailable for spending. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they may be used. Unrestricted net assets – the part of net assets that can be used to finance day to day operations without constraints established by debt covenants, legislation, or other legal requirements - is \$2.34 million.

Changes In Net Assets of Allamakee County Governmental Activities (Expressed in Thousands)	
	June 30, 2004
Revenues:	
Program Revenues:	
Charges for Service	\$ 650
Operating Grants and Contributions	3,151
Capital Grants and Contributions	1,569
General Revenues:	
Property Tax	4,075
Penalty and Interest on Property Taxes	50
State Tax Credits	250
Local Option Sales Tax	223
Unrestricted Investment Earnings	106
Gain on Sale of Capital Assets	7

Miscellaneous	239
Total Revenues	<u>\$10,320</u>

	<u>June 30, 2004</u>
Program Expenses:	
Public Safety and Legal Services	\$1,022
Physical Health and Social Services	575
Mental Health	1,603
County Environment and Education	656
Roads and Transportation	3,016
Governmental Services to Residents	321
Administration	832
Non-Program	47
Interest on Long-Term Debt	2
Total Expenses	<u>8,074</u>
Increase in Net Assets	2,246
Net Assets July 1, 2003 (As Restated)	<u>9,645</u>
Net Assets June 30, 2004	<u>\$11,891</u>

Allamakee County increased property tax rates by \$.06913 per \$1000 of valuation in the rural levy and increased property tax rates by .04463 per \$1,000 of valuation in the county-wide levy.

#### Governmental Activities

As stated earlier, this is the first year Allamakee County is required to prepare financial statements on a full accrual basis. It was determined by management that it was impractical to undertake the effort required to restate the FY2003 financial information. Future years will analyze and compare revenues and expenditures detailing percentage increases or decreases and attempt to explain the reasons they occurred.

- Allamakee County's taxable valuation increased from \$489 million to \$497 million compared to the prior fiscal year. About \$11 million of the increase was in new construction and approximately 3 million was lost to revaluation.
- Revenues for governmental activities were \$8,965,286 while expenses amounted to \$8,646,797. In a difficult budgeting year, Allamakee County kept expenses under available revenues.
- The local option tax sales tax revenue totaled \$537,500. Allamakee County uses 33% of the sales tax revenue to township financial responsibilities, 22% property tax relief (rural services), 25% E911 signs and equipment, and 20% construction and/or repair secondary roads.
- The cost of all governmental activities this year was \$8,073,835.
- The portion of the cost financed by users of Allamakee County programs was \$650,317.
- The federal and state government and private contributors subsidized certain programs with operating grants and contributions totaling \$3,150,615 and a capital grant of \$1,568,458, which is farm to market funding that was used for road resurfacing projects whose expenditures were capitalized and depreciated. These funds did not flow through the county.
- The net cost portion of governmental activities was financed with property tax of \$4,074,577, \$222,151 of local option sales tax, \$106,736 of unrestricted investment earnings and \$7,329 of gain on sale of capital assets. Miscellaneous revenue totaled \$238,554. Governmental activities revenues exceeded expenses by \$2,245,532.

#### MAJOR GOVERNMENTAL FUND ANALYSIS AND HIGHLIGHTS

As previously noted, Allamakee County uses fund accounting to ensure and demonstrate compliance with finance-related requirements

The financial performance of Allamakee County as a whole is reflected in its governmental funds as well. As Allamakee County completed the year, its governmental funds reported combined fund balances of \$5,260,079, 7% above last year's balance of \$4,893,745, having paid over \$461,035 for road construction.

### **General Fund**

Total dollars from property tax revenue decreased 1%. It is estimated the decrease is due to lower utility tax collections. Several state grants and other state funding were reduced, however Intergovernmental revenue was increased by 2% or \$4,436.

Permits and charges for service revenue remained virtually the same. Interest revenue decreases and the completion of a pass-through grant in fiscal 2003, caused considerable reductions in the Use of Money and Property and Miscellaneous Revenue. Allamakee County Conservation received in excess of \$50,000 from the Carver Foundation. This donation is much appreciated and is included in miscellaneous revenue.

Total expenditures and uses decreased by 8%, or \$276,873, compared to FY2003. This decrease was attributable to the completion of the pass-through grant.

### **Mental Health Fund**

The Allamakee County Mental Health Fund balance was 22% of the FY2003 expenditures on June 30, 2003. During FY2004, revenues remained constant while expenditures decreased by 5%. Allamakee County's ending fund balance for FY2004, expressed as a percent of total expenditures, is 23%. Allamakee County should qualify for 100% distribution of growth and community services allocation dollars by meeting the criteria of levying at 100% of maximum levy allowed and having a fund balance of less than 25% of total expenditures.

### **Rural Services Fund**

There were no significant changes in revenues, expenditures or ending fund balance in the Rural Services Fund in fiscal 2004.

### **Secondary Roads Fund**

Secondary Roads Fund revenue decreased by 12% or \$337,840. Transfers in remained the same at \$950,000. Road use tax revenue decreased about \$469,812 or 18%.

Secondary Roads Fund expenditures increased approximately \$169,446 or 5% overall. The increase was in the general roadway expenses.

Total ending fund balance compared total uses increased to 58% in FY2004 from 48% in FY2003.

## **BUDGETARY HIGHLIGHTS**

On May 24, 2004, the County Board of Supervisors amended the original budget as follows:

- Increased Intergovernmental and Miscellaneous Revenues by \$172,107.
- Major expenditure increases in the County Environment and Education Area.
- Major expenditure reductions in the Capital Projects Area.

## **CAPITAL ASSETS**

Allamakee County concluded FY2004 with \$10,378,785 invested in a broad range of capital assets, including public safety equipment, buildings, parks facilities, landfill, and roads and bridges. GASB 34 required the addition of infrastructure assets and required depreciation of all capital assets.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)	June 30, 2004
Land	\$845
Construction in Process	106
Buildings	1,566
Improvements Other Than Buildings	199
Machinery	3,944
Vehicles	1,588
Infrastructure	2,119
	<u>\$10,367</u>
This Year's Major Additions Include	
Capital Asset Contributed by the	
Iowa Department of Transportation	\$1,568
Secondary Road Machinery	633
County Vehicles	109
	<u>\$2,310</u>

The county had depreciation expense of \$648,082 in FY04 and total accumulated depreciation of \$3,611,676 at June 30, 2004.

The county's fiscal year 2004 capital budget included \$600,000 of which \$461,035 was used for county roads and bridges.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The county begins the 2005 fiscal year with a balance of 25% when compared to expected expenditures. This balance is possible because departments have been fiscally responsible. The budgeted ending cash balance for FY2005 is \$1.3 million less than the actual cash balance for FY2004. This is due to increased expenses FY2005 including projected road projects and legislative mandated new election equipment.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the County's finances and to show the county's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, 110 Allamakee St., Waukon, Iowa 52172.

**ALLAMAKEE COUNTY**  
**Waukon, Iowa**

**STATEMENT OF NET ASSETS**  
June 30, 2004

	Governmental Activities
<b>ASSETS</b>	
Cash and Pooled Investments	\$5,087,346
Receivables	
Property Tax	
Delinquent	1,327
Succeeding Year	3,585,469
Interest and Penalty On Property Tax	79
Accounts	25,004
Accrued Interest	9,002
Due From Other Governments	252,725
Notes Receivable	189,217
Inventories	225,953
Prepaid Insurance	17,116
Capital Assets (Net of Accumulated Depreciation)	6,755,908
<b>TOTAL ASSETS</b>	<b>16,149,146</b>
<b>LIABILITIES</b>	
Accounts Payable	115,855
Salaries and Benefits Payable	96,222
Due to Other Governments	137,564
Deferred Revenue	
Succeeding Year Property Tax	3,585,469
Other	189,217
Long Term Liabilities	
Portion Due Or Payable Within One Year	
Compensated Absences	134,393
<b>TOTAL LIABILITIES</b>	<b>4,258,720</b>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	6,755,908
Restricted For:	
Mental Health Purposes	373,547
Secondary Roads Purposes	1,867,005
Other Purposes	544,344
Unrestricted	2,349,622
<b>TOTAL NET ASSETS</b>	<b>\$11,890,426</b>

See Notes To Financial Statements

**ALLAMAKEE COUNTY**  
**Waukon, Iowa**

**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2004

<b>FUNCTIONS/PROGRAMS:</b>	Expenses	Program Revenues			Net (Expense) Revenue & Change In Net Assets
		Charges for Service	Operating Grants, Contributions, & Restricted Interest	Capital Grants, Contributions & Restricted Interest	
<b>GOVERNMENTAL ACTIVITIES:</b>					
Public Safety & Legal Services	\$1,022,092	\$98,676	\$10,295	\$ 0	\$(913,121)
Physical Health & Social Services	575,029	58,481	32,598	0	(483,950)
Mental Health	1,602,010	128,561	691,487	0	(781,962)
County Environment & Education	655,105	50,879	10,303	0	(593,923)
Roads & Transportation	3,015,759	18,038	2,370,765	1,568,458	941,502
Governmental Services to Residents	321,605	227,242	0	0	(94,363)
Administrative Services	832,913	9,590	35,167	0	(788,156)
Non-Program	47,174	58,850	0	0	11,676
Interest on Long-Term Debt	2,148	0	0	0	(2,148)
	<u>\$8,073,835</u>	<u>\$650,317</u>	<u>\$3,150,615</u>	<u>\$1,568,458</u>	<u>(2,704,445)</u>
<b>GENERAL REVENUES:</b>					
Property and Other County Tax Levied For:					
General Purposes					4,074,577
Penalty & Interest on Property Tax					50,816
State Tax Credits					249,814
Local Option Sales Tax					222,151
Unrestricted Investment Earnings					106,736
Miscellaneous					238,554
Gain on Disposal of Capital Assets					7,329
<b>TOTAL GENERAL REVENUES</b>					<u>4,949,977</u>
<b>CHANGE IN NET ASSETS</b>					2,245,532
<b>NET ASSETS, BEGINNING OF YEAR</b> (As Restated, Note 13)					<u>9,644,894</u>
<b>NET ASSETS END OF YEAR</b>					<u><u>\$11,890,426</u></u>

See Notes To Financial Statements

**ALLAMAKEE COUNTY**  
**Waukon, Iowa**

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2004

		Special Revenue	
	General	Mental Health	Rural Services
<b>ASSETS</b>			
Cash and Pooled Investments	\$2,415,317	\$517,455	\$266,677
Receivables			
Property Tax			
Delinquent	874	258	195
Succeeding Year	2,159,062	655,362	771,045
Interest & Penalty on Property Tax	79	0	0
Accounts	23,864	862	0
Notes	52,150	0	0
Accrued Interest	8,865	0	0
Due From Other Funds	7,758	0	0
Due From Other Governments	27,517	22,739	9,388
Inventories	0	0	0
Prepaid Insurance	13,862	0	0
<b>TOTAL ASSETS</b>	<b>\$4,709,348</b>	<b>\$1,196,676</b>	<b>\$1,047,305</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts Payable	\$19,160	\$39,051	\$ 474
Salaries and Benefits Payable	45,131	4,118	1,648
Due To Other Governments	14,993	122,571	0
Deferred Revenue			
Succeeding Year Property Tax	2,159,062	655,362	771,045
Other	58,525	2,262	195
Total Liabilities	2,296,871	823,364	773,362
Fund Balances			
Reserved For:			
Inventories	0	0	0
Unreserved, Reported In:			
General Fund	2,412,477	0	0
Special Revenue Funds	0	373,312	273,943
Total Fund Balances	2,412,477	373,312	273,943
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$4,709,348</b>	<b>\$1,196,676</b>	<b>\$1,047,305</b>

See Notes To Financial Statements

**Exhibit C**

Special Revenue Secondary Roads	Non-major Special Revenue	Total
\$1,609,553	\$270,586	\$5,079,588
0	0	1,327
0	0	3,585,469
0	0	79
0	278	25,004
0	137,067	189,217
0	137	9,002
0	0	7,758
193,081	0	252,725
225,953	0	225,953
3,254	0	17,116
<u>\$2,031,841</u>	<u>\$408,068</u>	<u>\$9,393,238</u>
\$56,570	\$ 600	\$115,855
45,325	0	96,222
0	0	137,564
0	0	3,585,469
0	137,067	198,049
<u>101,895</u>	<u>137,667</u>	<u>4,133,159</u>
225,953	0	225,953
0	0	2,412,477
1,703,993	270,401	2,621,649
<u>1,929,946</u>	<u>270,401</u>	<u>5,260,079</u>
<u>\$2,031,841</u>	<u>\$408,068</u>	<u>\$9,393,238</u>

**ALLAMAKEE COUNTY  
Waukon, Iowa**

**RECONCILIATION OF THE BALANCE SHEET  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
June 30, 2004**

<b>Total governmental fund balances ( page 12-13)</b>	\$5,260,079
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. The cost of the assets is \$10,367,585 and the accumulated depreciation is \$3,611,677.	6,755,908
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	8,832
Long-term liabilities, including bonds payable, accrued interest payable and compensated absences payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(134,393)</u>
<b>Net assets of governmental activities ( page 10)</b>	<u><u>\$11,890,426</u></u>

See Notes to Financial Statements.

**ALLAMAKEE COUNTY****Waukon, Iowa****STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES****GOVERNMENTAL FUNDS**

Year Ended June 30, 2004

		Special Revenue	
	General	Mental Health	Rural Services
<b>REVENUES</b>			
Property & Other County Tax	\$2,474,706	\$728,788	\$987,514
Interest & Penalty on Property Tax	50,816	0	0
Intergovernmental	276,215	861,948	54,697
Licenses & Permits	43,392	0	0
Charges for Services	281,394	3,107	7,367
Use of Money & Property	145,788	0	0
Miscellaneous	86,429	3,145	1,872
Total Revenues	3,358,740	1,596,988	1,051,450
<b>EXPENDITURES</b>			
Operating:			
Public Safety & Legal Services	1,034,457	0	0
Physical Health & Social Services	548,232	0	0
Mental Health	0	1,602,798	0
County Environment & Education	252,390	0	282,709
Roads & Transportation	135,044	0	0
Governmental Services to Residents	325,329	0	0
Administrative Services	775,727	0	0
Non-program	43,877	0	0
Debt Service	130,257	0	0
Capital Projects	0	0	0
Total Expenditures	3,245,313	1,602,798	282,709
Excess (Deficiency) of Revenues Over (Under) Expenditures	113,427	(5,810)	768,741
Other Financing Sources (Uses)			
Sale of Capital Assets	13,203	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	(106,422)	0	(852,628)
Proceeds of Installment Purchase	0	0	0
Total Other Financing Sources (Uses)	(93,219)	0	(852,628)
Net Change in Fund Balance	20,208	(5,810)	(83,887)
Fund Balances – Beginning of Year, as restated (Note 13)	2,392,269	379,122	357,830
Increase in Reserve For Inventories	0	0	0
Fund Balances – End of Year	\$2,412,477	\$373,312	\$273,943

See Notes To Financial Statements

**Exhibit E**

<u>Special Revenue</u> Secondary Roads	Non-major Special Revenue	Total
\$105,786	\$ 0	\$4,296,794
0	0	50,816
2,370,765	22,175	3,585,800
525	0	43,917
1,223	46,180	339,271
11,520	34,820	192,128
32,183	62,931	186,560
2,522,002	166,106	8,695,286
0	993	1,035,450
0	17,328	565,560
0	0	1,602,798
0	123,860	658,959
2,893,859	0	3,028,903
0	6,000	331,329
0	174	775,901
0	12,728	56,605
0	0	130,257
461,035	0	461,035
3,354,894	161,083	8,646,797
(832,892)	5,023	48,489
21,841	7,356	42,400
950,000	9,050	959,050
0	0	(959,050)
0	0	0
971,841	16,406	42,400
138,949	21,429	90,889
1,565,044	248,972	4,943,237
225,953	0	225,953
\$1,929,946	\$270,401	\$5,260,079

**ALLAMAKEE COUNTY**  
**Waukon, Iowa**

**RECONCILIATION OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2004

**Net change in fund balances - Total governmental funds (page 15-16)** \$316,842

*Amounts reported for governmental activities in the Statement of  
Activities are different because:*

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlays exceeded depreciation expense in the current year as follows:

Expenditures for Capital Assets	\$834,603	
Capital Assets Contributed by the Iowa Department of Transportation	1,568,458	
Depreciation Expense	(648,083)	1,754,978

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas in the governmental funds report the proceeds from the sale as an increase in financial resources. (35,071)

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds.

Property Taxes	(67)	
Other	2,025	1,958

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues as follow:

Repaid		126,867
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds as follows:

Drainage Warrants	6,305	
Compensated Absences	(11,680)	
Interest on Long-Term Debt	1,242	(4,133)

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.

84,091

**Change in net assets of Governmental Activities (page 11)**

\$2,245,532

See Notes to Financial Statements

**ALLAMAKEE COUNTY  
Waukon, Iowa****STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
June 30, 2004**

	Internal Service Employee Group Health
<b>ASSETS</b>	
Cash & Cash Equivalents	\$ 0
Receivables	
Accrued Interest	0
<b>TOTAL ASSETS</b>	<b>0</b>
 <b>LIABILITIES</b>	
Accounts Payable	0
 <b>NET ASSETS</b>	
Unrestricted	\$ 0

See Notes To Financial Statements

**ALLAMAKEE COUNTY**  
**Waukon, Iowa**

STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
**PROPRIETARY FUND**  
Year Ended June 30, 2004

	Internal Service Employee Group Health
<hr/> <b>OPERATING REVENUES</b>	
Reimbursements From Operating Funds	\$377,704
Reimbursements From Employees	85,196
Insurance Reimbursements	13,823
Total Operating Revenues	476,723
<hr/> <b>OPERATING EXPENSES</b>	
Insurance Premiums	392,632
Operating Income	84,091
Net Assets Beginning of Year	(84,091)
Net Assets End of Year	\$ 0

See Notes To Financial Statements

**ALLAMAKEE COUNTY**  
**Waukon, Iowa**

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
Year Ended June 30, 2004

	Internal Service Employee Group Health
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received From Operating Fund Reimbursements	\$377,703
Cash Received From Employees & Others	99,019
Cash Payments To Suppliers For Services	(478,853)
Net Cash Used in Operating Activities	(2,131)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on Investments	0
Net Decrease in Cash & Cash Equivalents	(2,131)
Cash & Cash Equivalents at Beginning of Year	2,131
Cash & Cash Equivalents at End of Year	\$ 0
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES</b>	
Operating Income	\$84,091
Adjustments to Reconcile Operating Income to Net Cash Used In Operating Activities	
Decrease in Accounts Payable	(86,222)
Net Cash Used In Operating Activities	\$(2,131)

See Notes To Financial Statements

**ALLAMAKEE COUNTY  
Waukon, Iowa****STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
June 30, 2004****ASSETS**

Cash & Pooled Investments	
County Treasurer	\$1,155,192
Other County Officials	34,536
Receivables	
Property Tax	
Delinquent	487
Succeeding Year	8,882,737
Accounts	3,878
Accrued Interest	38
Due from Other Governments	30,042
<b>TOTAL ASSETS</b>	<b>10,106,910</b>

**LIABILITIES**

Accounts Payable	1,168
Salaries & Benefits Payable	4,489
Due To Other Governments	10,063,134
Trusts Payable	30,128
Compensated Absences	7,991
<b>TOTAL LIABILITIES</b>	<b>10,106,910</b>

<b>NET ASSETS</b>	<b>\$ 0</b>
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See Notes To Financial Statements

**ALLAMAKEE COUNTY**  
**Waukon, Iowa**

**Notes to Financial Statements**

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**Note 1: Summary of Significant Accounting Policies**

Allamakee County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. REPORTING ENTITY**

For financial reporting purposes, Allamakee County has included all funds, organizations, account groups, agencies, boards, commissions, and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County.

These financial statements present Allamakee County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

A drainage district has been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although this district is legally separate from the County, it is controlled, managed and supervised by the Allamakee County Board of Supervisors. The drainage district is reported as a Special Revenue Fund. Financial information of the individual drainage district can be obtained from the Allamakee County Auditor's office.

Jointly Governed Organizations – The County also participates in several jointly-governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Allamakee County Assessor's Conference Board, Allamakee County Emergency Management Commission, and Allamakee County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

## Notes to Financial Statements (Continued)

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### B. BASIS OF PRESENTATION

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the County and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other non-exchange transactions.

The Statement of Net Assets present the County's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

## Notes to Financial Statements (Continued)

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Special Revenue

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

Additionally the County reports the following funds:

Proprietary Fund – An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the county and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds – Agency funds are used to account for assets held by the county as an agent for individuals, private organizations, certain jointly governed organizations, other governmental united, and/or other funds.

#### C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected with 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long term debt, claims, judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, these are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

## Notes to Financial Statements (Continued)

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

The proprietary fund of the County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on a cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

#### E. ASSETS, LIABILITIES AND FUND EQUITY

The following accounting policies are followed in preparing the combined balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2003.

## Notes to Financial Statements (Continued)

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### E. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

Interest and Penalty on Property Tax Receivable - Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from and Due to Other Funds - During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2004, balances of interfund amounts receivable or payable has been recorded in the fund financial statements.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

Capital Assets - Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	40-50
Building Improvements	20-50
Infrastructure	30-65
Equipment	2-20
Vehicles	3-10

Due to Other Governments - Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable - Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

## Notes to Financial Statements (Continued)

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### E. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable as well as delinquent property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absence liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-term Liabilities - In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### F. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements did not exceed amounts budgeted in any function, however, disbursements in certain departments exceeded the amounts appropriated.

## Notes to Financial Statements (Continued)

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### Note 2: Cash and Pooled Investments

The County's deposits at June 30, 2004 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

### Note 3: Due from and Due to Other Funds

The detail of inter-fund receivables and payables at June 30, 2004 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Agency:	
	Auto License and Use	\$7,758
	Tax	

These balances resulted from the time lag between the dates that inter-fund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

### Note 4: Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2004 is as follows:

Transfer To	Transfer From	Amount
Special Revenue		
Secondary Roads	General Basic	\$97,372
Secondary Roads	Rural Services	852,628
Emergency Medical Services	General	9,050
Agency	Agency	
Special Appraisers	Assessor	61,429
		<u>\$1,020,479</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

## Notes to Financial Statements (Continued)

### Note 5: Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$845,228	\$ 0	\$ 0	\$845,228
Construction in Process	336,343	105,865	336,343	105,865
Total Capital Assets not being depreciated	1,181,571	105,865	336,343	951,093
Capital assets being depreciated				
Buildings	1,565,353	0	0	1,565,353
Improvements Other than Buildings	199,436	0	0	199,436
Machinery and Equipment	3,965,503	633,155	654,700	3,943,958
Vehicles	1,620,724	109,489	141,364	1,588,849
Infrastructure, Road Network	0	2,118,895	0	2,118,895
Total Capital Assets being Depreciated	7,351,016	2,861,539	796,064	9,416,491
Less Accumulated Depreciation for				
Buildings	745,218	24,653	0	769,871
Improvements Other than Buildings	29,915	9,972	0	39,887
Machinery and Equipment	1,795,596	386,067	414,100	1,767,563
Vehicles	925,858	160,929	118,893	967,894
Infrastructure, Road Network	0	66,461	0	66,461
Total Accumulated Depreciation	3,496,587	648,082	532,993	3,611,676
Total Capital Assets being Depreciated, Net	3,854,429	2,213,457	263,071	5,804,815
Governmental Activities Capital Assets, Net	\$5,036,000	\$2,319,322	\$599,414	\$6,755,908

Depreciation Expense was Charged to the following functions

Governmental Activities	
Public Safety and Legal Services	\$41,800
Physical Health and Social Services	13,370
Mental Health	2,841
County Environment and Education	20,340
Roads and Transportation	538,727
Governmental Services to Residents	4,824
Administration	19,696
Non-Program	6,484
	<u>\$648,082</u>

## Notes to Financial Statements (Continued)

### Note 6: Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	\$14,993
Special Revenue		
Mental Health	Services	122,571
Total for Governmental Funds		<u>\$137,564</u>
Agency		
Recorder		\$6,683
Agricultural Extension	Collections	93,123
Assessor		242,093
Schools		5,632,839
Area Schools		283,850
Corporations		2,686,390
Auto License & Use Tax		257,643
All Others		860,513
Total for Agency Funds		<u>\$10,063,134</u>

### Note 7: Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2004 is as follows:

	General Obligation Courthouse Notes	Drainage Warrants	Compensated Absence	Sick Leave Conversion	Total
Beginning Balance	\$126,867	\$6,305	\$124,598	\$ 0	\$257,770
Increases	0	0	11,314	7,288	18,602
Decreases	126,867	6,305	0	816	133,988
Ending Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$135,912</u>	<u>\$6,472</u>	<u>\$142,384</u>
Due Within One Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$135,912</u>	<u>\$6,472</u>	<u>\$142,384</u>

#### Note Payable, Farmers & Merchants' Savings Bank

On March 1, 1993, the County entered into a loan agreement with Farmers & Merchants' Savings Bank. The bank advanced \$600,000 for renovation of the exterior of the Allamakee County courthouse, including re-bricking and windows. The note bears an interest rate of 5.875%, which is due semi-annually each May 1 and November 1. Principal payments are due annually on May 1 until 2005. During the year ended June 30, 2004, the General Obligation Note was paid in full.

#### Sick Leave Conversion

During the year ended June 30, 2004, the County established a plan to allow employees who were retiring to convert accumulated sick leave to insurance premiums. Retiring employees converted \$7,288 of sick leave to insurance premiums. \$816 had been used for insurance premiums at June 30, 2004.

## **Notes to Financial Statements (Continued)**

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### **Note 8: Loans Receivable**

Loans receivable represent economic development loans from the County's Revolving Loan Fund made to qualifying businesses. These loans are to be paid back with interest over a period ranging from two to four years. Interest rates on the loans receivable range from 3.90% to 6.50%. The balance of the loans receivable at June 30, 2004 was \$ 137,067 and is recorded in the Special Revenue Funds.

On October 1, 1999, the County entered into an agreement with Waukon Economic Development Corporation, the Waukon Chamber of Commerce, and Allamakee County Economic Development. The County paid \$140,000 for improvements made to the building. The other three parties share in the use of the property and reimburse the County through the monthly payments. The Waukon Economic Development Corporation will reimburse the County for 35% of the initial cost of the improvements. The Waukon Chamber of Commerce will reimburse the County for 20% of the total improvements, and the Allamakee County Economic Development will reimburse the County for 45% of the initial cost of the improvements. Monthly payments of \$1,869 started on October 1, 1999 and will continue until the total amount due is paid in full. Interest accrues on the unpaid balance at 4%. The balance of the loan receivable at June 30, 2004 was \$52,150 and is recorded in the General Fund.

### **Note 9: Pension and Retirement Benefits**

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute for the year ended June 30, 2004 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages for the year ended June 30, 2004 are 4.99% and 7.48%, respectively. For the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 8.05%, respectively, and for the year ended June 30, 2002, the contribution rates for law enforcement employees and the County were 5.50% and 8.25%, respectively. Contribution requirements are established by State statute. The County's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$153,830, \$150,415, and \$146,382, respectively, equal to the required contributions for each year.

### **Note 10: Risk Management**

The County is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County carries commercial insurance purchased from other insurers for coverage associated with these risks. During the year ended June 30, 2004, there were no significant changes in insurance coverage from prior years. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **Note 11: Employee Health Insurance Plan**

The Allamakee County Group Health Fund was established to account for the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark Blue Cross.

Monthly payments of service fees and plan contributions to the Allamakee County Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark Blue Cross from the Allamakee County

Group Health Fund. The County records the plan assets and related liabilities of the Allamakee County Group Health Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2004 was \$377,703.

## Notes to Financial Statements (Continued)

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### Note 12: Business Transactions

Business transactions between the County and County officials or employees were noted. The transactions appear to represent conflicts of interest since total transactions were more than \$1,500 during the fiscal year, in accordance with Chapter 331.342 of the Code of Iowa.

### Note 13: Accounting Change and Restatement

Governmental Accounting Standards Board Statement No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements* was implemented during the year ended June 30, 2004. The interpretation modifies when compensation absence liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and Statement No. 41, *Budgetary Comparison Schedule – Perspective Differences* were implemented during the year ended June 30, 2004. The statements create new basic financial statements for reporting the County’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

The government-wide financial statements report the County’s governmental activities. Beginning net assets for governmental activities has been restated to include capital assets, the Internal Service Fund and the change in assets and liabilities at July 1, 2003 resulting from the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities is summarized as follows:

	Amount
Net Assets June 30, 2003, as Previously Reported	\$4,893,745
GASB Interpretation 6 Adjustments	49,492
Net Assets July 1, 2003, as Restated for Governmental Funds	4,943,237
 GASB 34 Adjustments	
Capital Assets, Net of Accumulated Depreciation of \$3,496,587	5,036,001
Internal Service Fund	(84,091)
Long-Term Liabilities	(257,127)
Deferral of Long-Term Assets	6,874
 Net Assets July 1, 2003, as Restated	 \$9,644,894

**ALLAMAKEE COUNTY**  
**Waukon, Iowa**

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS,  
DISBURSEMENTS AND CHANGES IN BALANCES  
BUDGET AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
Year Ended June 30, 2004**

	Actual	Less Funds Not Required to Be Budgeted	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
<b>RECEIPTS</b>						
Property & Other County Tax	\$4,300,335	\$ 0	\$4,300,335	\$4,275,410	\$4,275,410	\$24,925
Interest & Penalty on Property Tax	50,841	0	50,841	20,300	20,300	30,541
Intergovernmental	3,548,313	0	3,548,313	3,380,046	3,459,907	88,406
Licenses & Permits	44,542	0	44,542	44,677	44,677	(135)
Charges for Services	340,298	0	340,298	223,460	231,085	109,213
Use of Money & Property	193,349	71	193,278	186,724	189,663	3,615
Miscellaneous	190,757	12,513	178,244	73,005	165,251	12,993
Total Receipts	8,668,435	12,584	8,655,851	8,203,622	8,386,293	269,558
<b>DISBURSEMENTS</b>						
Public Safety & Legal Services	1,014,571	0	1,014,571	1,076,295	1,098,229	83,658
Physical Health & Social Services	544,027	0	544,027	619,301	629,775	85,748
Mental Health	1,598,123	0	1,598,123	1,731,275	1,737,036	138,913
County Environment & Education	653,606	0	653,606	565,487	690,056	36,450
Roads & Transportation	3,258,827	0	3,258,827	3,581,830	3,583,830	325,003
Governmental Services to Residents	325,003	0	325,003	349,649	352,567	27,564
Administrative Services	751,494	0	751,494	884,438	888,836	137,342
Non-Program	57,336	12,728	44,608	44,615	49,701	5,093
Debt Service	130,257	0	130,257	131,887	131,887	1,630
Capital Projects	461,035	0	461,035	900,000	600,000	139,965
Total Disbursements	8,794,279	12,728	8,781,551	9,884,777	9,761,917	980,366
Excess (Deficiency) of Receipts Under Disbursements	(125,844)	(144)	(125,700)	(1,681,155)	(1,375,624)	1,249,924
Other Financing Sources, Net	42,400	0	42,400	7,500	7,500	34,900
Excess (Deficiency) of Receipts & Other Financing Sources Over (Under) Disbursements & Other Financing Uses	(83,444)	(144)	(83,300)	(1,673,655)	(1,368,124)	1,284,824
Balance Beginning of Year	5,163,032	2,013	5,161,019	4,416,993	4,416,993	744,026
Balance End of Year	\$5,079,588	\$1,869	\$5,077,719	\$2,743,338	\$3,048,869	\$2,028,850

See Accompanying Independent Auditors' Report

**ALLAMAKEE COUNTY**  
**Waukon, Iowa**

**BUDGETARY COMPARISON SCHEDULE –**  
**BUDGET TO GAAP RECONCILIATION**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
Year Ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$8,668,435	\$26,851	\$8,695,286
Expenditures	8,794,279	(147,482)	8,646,797
Net	(125,844)	174,333	48,489
Other Financing Sources – Net	42,400	0	42,400
Beginning Fund Balances	5,163,032	(219,795)	4,943,237
Increase (Decrease) in Reserve For:			
Inventories	0	225,953	225,953
Ending Fund Balances	\$5,079,588	\$180,491	\$5,260,079

See Accompanying Independent Auditors' Report

**Allamakee County  
Waukon, Iowa**

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units and Agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriation lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administrative services, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital projects funds and expendable trust funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department. During the year, a budget amendment increased budgeted disbursements by \$122,860. This budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted, however, disbursements in some departments exceeded the amounts appropriated.

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**ALLAMAKEE COUNTY**  
**Waukon, Iowa**

**COMBINING BALANCE SHEET**  
**NON-MAJOR SPECIAL REVENUE FUNDS**  
June 30, 2004

	Well Grant	Prisoner Room & Board	Recorder's Records Management	Resource Enhancement & Protection	Conservation Special Project	Recorder's Electronic Transaction
<b>ASSETS</b>						
Cash & Pooled Investments	\$26,276	\$32,051	\$12,750	\$83,063	\$13,437	\$22,696
Receivables						
Accounts	0	0	278	0	0	0
Notes	0	0	0	0	0	0
Accrued Interest	0	0	1	134	0	2
<b>TOTAL ASSETS</b>	<b>\$26,276</b>	<b>\$32,051</b>	<b>\$13,029</b>	<b>\$83,197</b>	<b>\$13,437</b>	<b>\$22,698</b>
<b>LIABILITIES AND FUND EQUITY</b>						
Liabilities						
Accounts Payable	\$ 600	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Deferred Revenue	0	0	0	0	0	0
Total Liabilities	600	0	0	0	0	0
Fund Equity						
Fund Balance						
Unreserved	25,676	32,051	13,029	83,197	13,437	22,698
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$26,276</b>	<b>\$32,051</b>	<b>\$13,029</b>	<b>\$83,197</b>	<b>\$13,437</b>	<b>\$22,698</b>

See Accompanying Independent Auditors' Report

**Schedule 1**

Drainage Districts	Revolving Loan Fund	Historic Preservation	Bankruptcy Tax Escrow	Emergency Medical Services	Conservation Reserve Trust	Clearing Fund	Total
\$1,869	\$57,341	\$2,545	\$ 106	\$ 6	\$16,253	\$2,193	\$270,586
0	0	0	0	0	0	0	278
0	137,067	0	0	0	0	0	137,067
0	0	0	0	0	0	0	137
\$1,869	\$194,408	\$2,545	\$ 106	\$ 6	\$16,253	\$2,193	\$408,068
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 600
0	137,067	0	0	0	0	0	137,067
0	137,067	0	0	0	0	0	137,667
1,869	57,341	2,545	106	6	16,253	\$2,193	270,401
\$1,869	\$194,408	\$2,545	\$ 106	\$ 6	\$16,253	\$2,193	\$408,068

**ALLAMAKEE COUNTY**  
**Waukon, Iowa**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NON-MAJOR SPECIAL REVENUE FUNDS**  
Year Ended June 30, 2004

	Well Grant	Prisoner Room & Board	Recorders Records Management	Resource Enhancement & Protection	Conservation Special Project	Recorders Electronic Transaction
<b>Revenues</b>						
Intergovernmental	\$11,872	\$ 0	\$ 0	\$10,303	\$ 0	\$ 0
Charges for Services	0	19,716	3,775	0	0	22,689
Use of Money and Property	0	0	21	1,752	0	9
Miscellaneous	0	0	0	0	50,000	0
Total Revenues	11,872	19,716	3,796	12,055	50,000	22,698
<b>Expenditures</b>						
Operating						
Public Safety and Legal Services	0	993	0	0	0	0
Physical Health and Social Services	8,280	0	0	0	0	0
County Environment and Education	0	0	0	37,050	52,000	0
Governmental Services to Residents	0	0	6,000	0	0	0
Administration	0	0	0	0	0	0
Non-Program	0	0	0	0	0	0
Total Expenditures	8,280	993	6,000	37,050	52,000	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,592	18,723	(2,204)	(24,995)	(2,000)	22,698
<b>Other Financing Sources (Uses)</b>						
Sale of General Fixed Assets	0	0	0	0	0	0
Operating Transfers In	0	0	0	0	0	0
	0	0	0	0	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	3,592	18,723	(2,204)	(24,995)	(2,000)	22,698
Fund Balances – Beginning of Year	22,084	13,328	15,233	108,192	15,437	0
Fund Balances – End of Year	\$25,676	\$32,051	\$13,029	\$83,197	\$13,437	\$22,698

See Accompanying Independent Auditors' Report

**Schedule 2**

Drainage Districts	Revolving Loan Fund	Historic Preservation	Bankruptcy Tax Escrow	Emergency Medical Services	Conservation Reserve Trust	Clearing Fund	Total
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$22,175
0	0	0	0	0	0	0	46,180
71	32,967	0	0	0	0	0	34,820
12,513	0	0	0	0	200	218	62,931
12,584	32,967	0	0	0	200	218	166,106
0	0	0	0	0	0	0	993
0	0	0	0	9,048	0	0	17,328
0	34,810	0	0	0	0	0	123,860
0	0	0	0	0	0	0	6,000
0	0	0	0	0	0	174	174
12,728	0	0	0	0	0	0	12,728
12,728	34,810	0	0	9,048	0	174	161,083
(144)	(1,843)	0	0	(9,048)	200	44	5,023
0	0	0	0	0	7,356	0	7,356
0	0	0	0	9,050	0	0	9,050
0	0	0	0	9,050	7,356	0	16,406
(144)	(1,843)	0	0	2	7,556	44	21,429
2,013	59,184	2,545	106	4	8,697	2,149	248,972
\$1,869	\$57,341	\$2,545	\$ 106	\$ 6	\$16,253	\$2,193	\$270,401

**ALLAMAKEE COUNTY**  
**Waukon, Iowa**

**COMBINING SCHEDULE OF FIDUCIARY**  
**ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>ASSETS</b>				
Cash and Pooled Investments				
County Treasurer	\$ 0	\$1,438	\$108,791	\$92,674
Other County Officials	34,536	0	0	0
Receivables				
Property Tax				
Delinquent	0	3	6	182
Succeeding Year	0	91,627	142,148	5,536,655
Accounts	2,275	0	212	0
Accrued Interest	0	0	0	0
Due from Other Governments	0	55	86	3,328
<b>TOTAL ASSETS</b>	<b>\$36,811</b>	<b>\$93,123</b>	<b>\$251,243</b>	<b>\$5,632,839</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 0	\$ 0	\$ 504	\$ 0
Salaries and Benefits Payable	0	0	4,252	0
Due to Other Governments	6,683	93,123	242,093	5,632,839
Trusts Payable	30,128	0	0	0
Compensated Absences	0	0	4,394	0
<b>TOTAL LIABILITIES</b>	<b>\$36,811</b>	<b>\$93,123</b>	<b>\$251,243</b>	<b>\$5,632,839</b>

See Accompanying Independent Auditors' Report

**Schedule 3**

Area Schools	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$4,794	\$27,440	\$15,186	\$1,692	\$257,643	\$645,534	\$1,155,192
0	0	0	0	0	0	34,536
10	285	0	0	0	1	487
278,878	2,656,299	75,309	0	0	101,821	8,882,737
0	0	0	0	0	1,391	3,878
0	0	0	0	0	38	38
168	2,366	13,655	0	0	10,384	30,042
<u>\$283,850</u>	<u>\$2,686,390</u>	<u>\$104,150</u>	<u>\$1,692</u>	<u>\$257,643</u>	<u>\$759,169</u>	<u>\$10,106,910</u>

\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 664	\$1,168
0	0	0	0	0	237	4,489
283,850	2,686,390	104,150	1,692	257,643	754,671	10,063,134
0	0	0	0	0	0	30,128
0	0	0	0	0	3,597	7,991
<u>\$283,850</u>	<u>\$2,686,390</u>	<u>\$104,150</u>	<u>\$1,692</u>	<u>\$257,643</u>	<u>\$759,169</u>	<u>\$10,106,910</u>

**ALLAMAKEE COUNTY**  
**Waukon, Iowa**

**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY  
ASSETS AND LIABILITIES – AGENCY FUNDS**

Year Ended June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets and Liabilities</b>				
Balances Beginning of Year	\$29,638	\$83,267	\$212,870	\$5,295,662
Additions				
Property and Other County Tax	0	102,797	161,729	6,166,204
E911 Surcharge	0	0	0	0
State Tax Credits	0	5,220	9,140	334,012
Drivers License Fees	0	0	0	0
Office Fees and Collections	259,907	0	5,797	0
Electronic Transaction Fee	0	0	0	0
Auto Licenses, Use Tax and Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	181,041	0	0	0
Miscellaneous	0	67	331	3,919
Total Additions	440,948	108,084	176,997	6,504,135
Deductions				
Agency Remittances				
To Other Funds	162,939	0	0	0
To Other Governments	106,986	98,228	200,053	6,166,958
Trusts Paid Out	163,850	0	0	0
Total Deductions	433,775	98,228	200,053	6,166,958
Other Financing Sources (Uses)				
Operating Transfers In (Out)	0	0	61,429	0
Balances End of Year	\$36,811	\$93,123	\$251,243	\$5,632,839

See Accompanying Independent Auditors' Report

**Schedule 4**

Area Schools	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Totals
\$277,832	\$2,587,543	\$96,588	\$ 456	\$258,377	\$656,306	\$9,498,539
316,114	2,754,451	283,545	0	0	247,328	10,032,168
0	0	0	0	0	91,378	91,378
17,391	136,024	3,450	0	0	6,202	511,439
0	0	0	0	106,939	0	106,939
0	0	0	0	0	0	265,704
0	0	0	0	0	18,875	18,875
0	0	0	0	2,760,593	0	2,760,593
0	0	0	26,709	0	0	26,709
0	0	0	0	0	0	181,041
225	0	195	0	0	104,403	109,140
333,730	2,890,475	287,190	26,709	2,867,532	468,186	14,103,986
0	0	0	0	123,056	0	285,995
327,712	2,791,628	279,628	25,473	2,745,210	303,894	13,045,770
0	0	0	0	0	0	163,850
327,712	2,791,628	279,628	25,473	2,868,266	303,894	13,495,615
0	0	0	0	0	(61,429)	0
\$283,850	\$2,686,390	\$104,150	\$1,692	\$257,643	\$759,169	\$10,106,910

**ALLAMAKEE COUNTY**  
**Waukon, Iowa**

**SCHEDULE OF REVENUES BY SOURCE AND  
EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUND TYPES**

For the Last Two Years

	Modified Accrual Basis	
	2004	2003
<b>Revenues:</b>		
Property & Other County Tax	\$4,296,794	\$4,304,271
Interest & Penalty On Property Tax	50,816	52,547
Intergovernmental	3,585,800	3,859,062
Licenses & Permits	43,917	43,330
Charges For Service	339,271	332,564
Use of Money & Property	192,128	258,768
Miscellaneous	186,560	509,654
Total	<u>\$8,695,286</u>	<u>\$9,360,196</u>
<b>Expenditures:</b>		
Operating		
Public Safety & Legal Services	\$1,035,450	\$1,023,073
Physical Health & Social Services	565,560	569,362
Mental Health	1,602,798	1,687,463
County Environment & Education Services	658,959	956,064
Roads and Transportation	3,028,903	3,311,449
Governmental Services To Residents	331,329	289,452
Administration	775,901	858,155
Non-Program	56,605	78,784
Debt Service	130,257	70,372
Capital Projects	461,035	796,693
Total	<u>\$8,646,797</u>	<u>\$9,640,867</u>

See Accompanying Independent Auditors' Report

## **Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting**

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To the Officials of Allamakee County:

We have audited the financial statements of Allamakee County, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated March 9, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether Allamakee County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved, except for items (1), (2), (5) and (7).

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Allamakee County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Allamakee County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

## **Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting (Continued)**

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item (A) is a material weakness. Prior year reportable conditions have been resolved except for items (A) and (B).

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Allamakee County and other parties to whom Allamakee County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Allamakee County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

March 9, 2005

**Allamakee County  
Schedule of Findings  
Year Ended June 30, 2004**

**Findings Related to the Financial Statements**

**INSTANCES OF NON-COMPLIANCE**

**No matters were reported.**

**REPORTABLE CONDITIONS:**

- A     **Segregation of Duties** – During our review of the internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements.

**Recommendation** – We realize that with a limited number of office employees, segregation of duties is difficult. However, County officials should review the operating procedures of each office to obtain the maximum internal control possible under the circumstances.

**Response** – We have reviewed procedures and plan to make the necessary changes to improve internal control. Specifically, the custody, record-keeping and reconciling functions currently performed by each office will be separated and spread among the Official, Deputy and Clerk.

**Conclusion** – Response accepted.

- B     **Information Systems** – During our review of internal control, the existing control activities in the County's computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the County's computer based systems were noted:

The County does not have written policies for:

- Password privacy and confidentiality.
- Requiring password changes because software does not require the user to change logins/password periodically.
- Ensuring that only software licensed to the County is installed on computers.

Also the County does not have a written disaster recovery plan and does not require backup tapes to be stored offsite daily.

**Recommendation** – The County should develop written policies addressing the preceding items in order to improve the County's control over computer based systems. A written disaster recovery plan should be developed and backup tapes should be stored off-site daily.

**Response** – The written security policy and disaster recovery plan are in process. Backup tapes are stored offsite on a monthly basis.

**Conclusion** – Response accepted.

## Schedule of Findings (Continued)

### Other Findings Related to Required Statutory Reporting:

- 1      **Official Depositories** – A resolution naming official depositories has been adopted by the Board of Supervisors for the Treasurer. The maximum deposit amounts stated in the resolution were not exceeded during the year. The Recorder's maximum deposit amount was exceeded during the year ended June 30, 2004.

**Recommendation** – Resolutions in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the Board.

**Response** – We will amend the resolution as required.

**Conclusion** – Response accepted.

- 2      **Certified Budget** – Disbursements during the year ended June 30, 2004 did not exceed the amount budgeted. Disbursements in certain departments exceeded the amounts appropriated.

**Recommendation** – Chapter 331.434(b) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

**Response** – Appropriations will be watched more closely by the departments.

**Conclusion** – Response accepted.

- 3      **Questionable Expenditures** – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

- 4      **Travel Expense** – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

- 5      **Business Transactions** – The following business transactions between the County and County officials or employees were noted.

Name and Title	Description	Amount
Bill Clark – Supervisor Owner of Clark Tire Center	Repair of County Vehicles	\$2,974

In accordance with Chapter 331.342 of the Code of Iowa, these transactions appear to represent conflicts since total transactions were more than \$1,500 during the fiscal year.

**Recommendation** – The County should refrain from business transaction with County officials or employees whenever possible. If the County wishes to do business with official or employee, bids should be taken for the work to be done.

**Response** – We will comply with the Code of Iowa in the future.

**Conclusion** – Response accepted.

**Schedule of Findings (Continued)**

- 6      **Bond Coverages** – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed periodically to ensure that coverage is adequate for current operations.

- 7      **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not. The minutes were not published in accordance with Chapter 349.18 of the Code of Iowa.

**Recommendation** – Minutes should be provided to the newspaper within seven days of a meeting.

**Response** – We will provide the minutes to the newspaper within seven days of a meeting.

**Conclusion** – Response accepted.

- 8      **Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

- 9      **Resource Enhancement and Protection Certification** – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

- 10     **County Extension Office** – The County Extension Office is operated under authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2004 for the County Extension Office did not exceed the amounts budgeted.

- 11     **Economic Development** – During the year ended June 30, 2004, the County spent \$49,955 for economic development, for which the public purpose was properly documented.

## **News Release**

March 30, 2005

Gardiner Thomsen, P.C. today released an audit report on Allamakee County, Iowa.

The County has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements. The new financial statements include a Statement of Net Assets and a Statement of Activities which provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Also included is Management's Discussion and Analysis of the County's financial statements.

The County has local tax revenue of \$14,735,766 for the year ended June 30, 2004, which included \$761,253 in tax credits from the state. The County forwarded \$9,944,235 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,791,531 of the local tax revenue to finance County operations, an 13% increase from the prior year. Other revenues included charges for service of \$650,317, operating grants, contributions and restricted interest of \$3,150,615, unrestricted investment earnings of \$106,736 and other general revenues of \$518,850.

Expenses for County operations totaled \$8,646,797, a 10% decrease from the prior year. Expenses included \$3,028,903 for Roads and Transportation, \$1,602,798 for Mental Health and \$1,035,450 for Public Safety and Court Services.

The significant increase/decrease in revenue and expenses is due primarily to property and other county tax revenues and Roads and Transportation and Capital Projects expenses.

A copy of the audit report is available for review in the office of the Auditor of State and the County Auditor's office.

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